

A home for aged people, which does not accept charity guests and which requires the discharge of guests who fail to make certain required monthly payments, is not organized and operated exclusively for charitable purposes or for any of the other purposes specified in section 501(c)(3) of the Internal Revenue Code of 1954 and is, therefore, not entitled to exemption from Federal income tax under such provision of law.

Advice has been requested whether a home for aged people, which does not accept charity guests and which requires the discharge of guests who fail to make certain required monthly payments, although organized for charitable purposes, is entitled to exemption from Federal income tax under the provisions of section 501(c)(3) of the Internal Revenue Code of 1954.

The instant home was incorporated without capital stock under state law to establish, operate, and maintain a non-profit home for the treatment and care of aged people. No part of its net earnings inures to the benefit of any private individual. Upon dissolution of the corporation, any assets remaining after the payments of debts, etc., will be paid over to public charities. The bylaws provide for the acceptance of guests on either a life care plan or on a monthly boarding plan. Each type of guest pays an admission fee of \$500, plus certain other fees. The cost of the life care plan is computed on an actuarial basis according to the age of the applicant. Property subsequently acquired by guests may be required to be turned over to the home. Each guest under the boarding plan is charged a minimum of \$100 per month. If any such guest fails to meet the monthly payment when due, he is required to surrender room and bed and leave the home. Each applicant is required at the time of admission to execute a will naming the home as exclusive residuary legatee and the treasurer of the home as executor. No admission fee will be returned to a guest for any reason after expiration of one month. No charity guests are accepted. Income is derived from guest fees and contributions and is expended in the operation of the home.

Section 501(c)(3) of the Code describes certain organizations exempt from taxation under section 501(a) and reads, in part, as follows:

(3) Corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, * * *.

In order to be entitled to exemption from Federal income tax under the above-quoted provision of law, an organization must be organized and operated exclusively for one or more of the

specified purposes. Although the instant home is not being operated for private profit, the requirements for admission contained in the bylaws, which in effect bar the acceptance of charity guests and require the discharge of guests who fail to meet their monthly payments for room and bed, preclude exemption, since it cannot be said, under these circumstances, that the home is organized and operated exclusively for charitable purposes or for any of the other specified purposes. Accordingly, it is concluded that the instant home is not entitled to exemption from Federal income tax under the provisions of section 501(c)(3) of the Code.